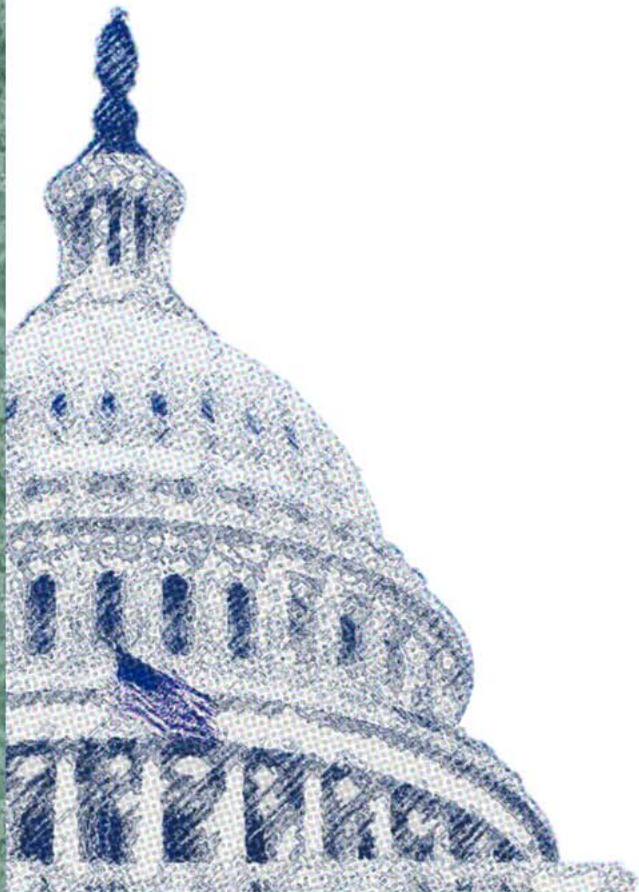


109th Congress  
2nd Session



# Senate Budget Committee July 4th Recess Packet



June 29, 2006  
Prepared by the  
U. S. Senate Budget Committee  
Republican Staff  
<http://budget.senate.gov/republican>

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## United States Senate

COMMITTEE ON THE BUDGET

WASHINGTON, DC 20510-6100

June 29, 2006

Dear Republican Colleague:


When we return home for the Independence Day recess, we can highlight our ongoing efforts to secure a sound financial future for our children and grandchildren. The Senate Budget Committee's approval of the *Stop Over-Spending Act of 2006* ("S.O.S.") last week was an important first step toward eliminating wasteful federal spending, significantly reducing the deficit, and restoring solvency to entitlement programs like Social Security and Medicare.

As I think we can all agree, the budget process is broken and mechanisms to prevent run-away federal spending have lapsed or been rendered meaningless. Emergency spending, which was designed to accommodate the need for Congress to fund unpredictable or unforeseen events, has become a "shadow" budget, allowing for annual recurring events to be funded outside the budget process. The S.O.S. Act puts teeth back in the budget process. It empowers a President to veto wasteful and duplicative spending, works to dry up the river of predictable spending labeled as "emergencies," and puts the pending financial obligations of entitlement programs front and center to ensure Congress acts on them before they overwhelm our financial resources.

When we return in July, I look forward to the opportunity to hold a substantive and productive floor debate on the S.O.S. Act, which has the support of nearly 30 Republican Senate co-sponsors. The House has already passed a line-item veto proposal, and I look forward to working with both House and Senate colleagues to enact a comprehensive budget reform package.

If you have any questions regarding the information in this packet, please contact my communications staff at 202-224-6011, or visit the Budget Committee website at [budget.senate.gov/republican](http://budget.senate.gov/republican).

Sincerely,



Judd Gregg  
Chairman



# S. 3521 - S.O.S.: STOP OVER-SPENDING ACT OF 2006



SPENDING RESTRAINT - DEFICIT REDUCTION - BUDGET ENFORCEMENT - FISCAL RESPONSIBILITY

## THE PROBLEM: SPENDING IS OUT OF CONTROL

### The Budget System Is Broken and Ineffective

- The Budget Enforcement Act (which included statutory caps on discretionary spending) expired in 2002 and has not been renewed.
- Congress has failed to pass a final Budget Resolution for three of the past five years.
- Last year's reconciliation bill saved \$39 billion, compared to the last reconciliation bill we did 7 years ago that saved \$118 billion in constant 2005 dollars over five years.
- There are no consequences if Congress does not adhere to recommended budget constraints.
- There are no consequences if Congress increases deficit spending.
- There are no provisions in place to get us to a balanced budget.
- *Essentially, Congress and the Administration operate under a "free pass" to spend.*

### Budgetary Gimmicks and a Lack Of Financial Discipline Contribute To Unrestrained Spending

- In recent years, nearly 20% of all discretionary spending has been designated as emergency and is outside the caps.
- Emergency spending is not offset - it is pure deficit spending and has led to "shadow" budgets.
- The President and Congress have used the emergency spending process to pay for items that should be in the normal budget process.
- Congress uses the spending reconciliation process (a process designed to save money) to expand or launch new mandatory spending programs.

### Current Spending Levels Are Unsustainable; The Resulting Debt Threatens Our Economic Stability And That Of Our Children And Grandchildren

- Our nation is facing significant short-term deficits assumed at \$360B in FY07.
- In two short years, the Baby Boom generation will begin to retire, which will lead to skyrocketing costs in Social Security and Medicare.
- In fact, the Medicare program is expected to be insolvent within the next 7 years.
- Long-term entitlement obligations will overwhelm federal resources when Baby Boomers retire. Within the next 75 years, federal obligations will cost U.S. taxpayers \$46.4 trillion. To put that in perspective, our nation has collected \$40 trillion in taxes over the last 217 years combined.

# **THE SOS SOLUTION: A “BIG BANG” APPROACH TO SPENDING RESTRAINT**

## **Reduces the Deficit and Effectively Balances the Budget**

- **The SOS Act establishes a new and more comprehensive Gramm-Rudmanesque deficit reduction mechanism. Unlike the 1985 version, the Gregg mechanism addresses entitlement spending – the largest share of the budget.**
  - ✓ **Defines deficit reduction targets, as a share of the U.S. economy (GDP).**
  - ✓ **Puts us on a path to an essentially balanced budget (0.5% of GDP) by 2012.**

## **Brings Back Budget Discipline And Eliminates Gimmicks**

- **The SOS Act reinstates statutory discretionary caps – caps that both the President and Congress would be required to abide by.**
- **The SOS Act builds in emergency funding assumptions within those caps.** No longer will emergency spending be “off the books” deficit spending. Embedded in those assumptions is that within 3 years the emergency funding levels return to historical levels (approximately \$30 billion).
- **The SOS Act prevents reconciliation from being used as a mechanism to dramatically expand mandatory spending.**

## **Establishes Consequences To Overspending**

- **The SOS Act establishes across-the-board reductions in discretionary spending if Congress fails to adhere to the statutory caps.**
- **The SOS Act requires Congress, if deficit reduction targets are not met, to reduce the rate of growth of mandatory spending,** either through an automatic, expedited reconciliation process, or if Congress fails to act, through an across-the-board reduction in mandatory spending.
- **The SOS Act creates a new point of order against mandatory spending,** if the Medicare program (the first of the three major entitlement programs expected to reach insolvency thresholds) is on track to insolvency within the next 7 years.

## **Eliminates Wasteful Spending**

- **The SOS Act establishes a Line Item Veto/Expedited Rescission process to quickly and effectively eliminate wasteful spending.**
- **The SOS Act establishes a Commission on Accountability and Review of Federal Agencies to look for fraud, waste, abuse, and duplication across federal agencies and programs** and requires Congress to act on the recommendations of the Commission regarding programs that should be eliminated or realigned.

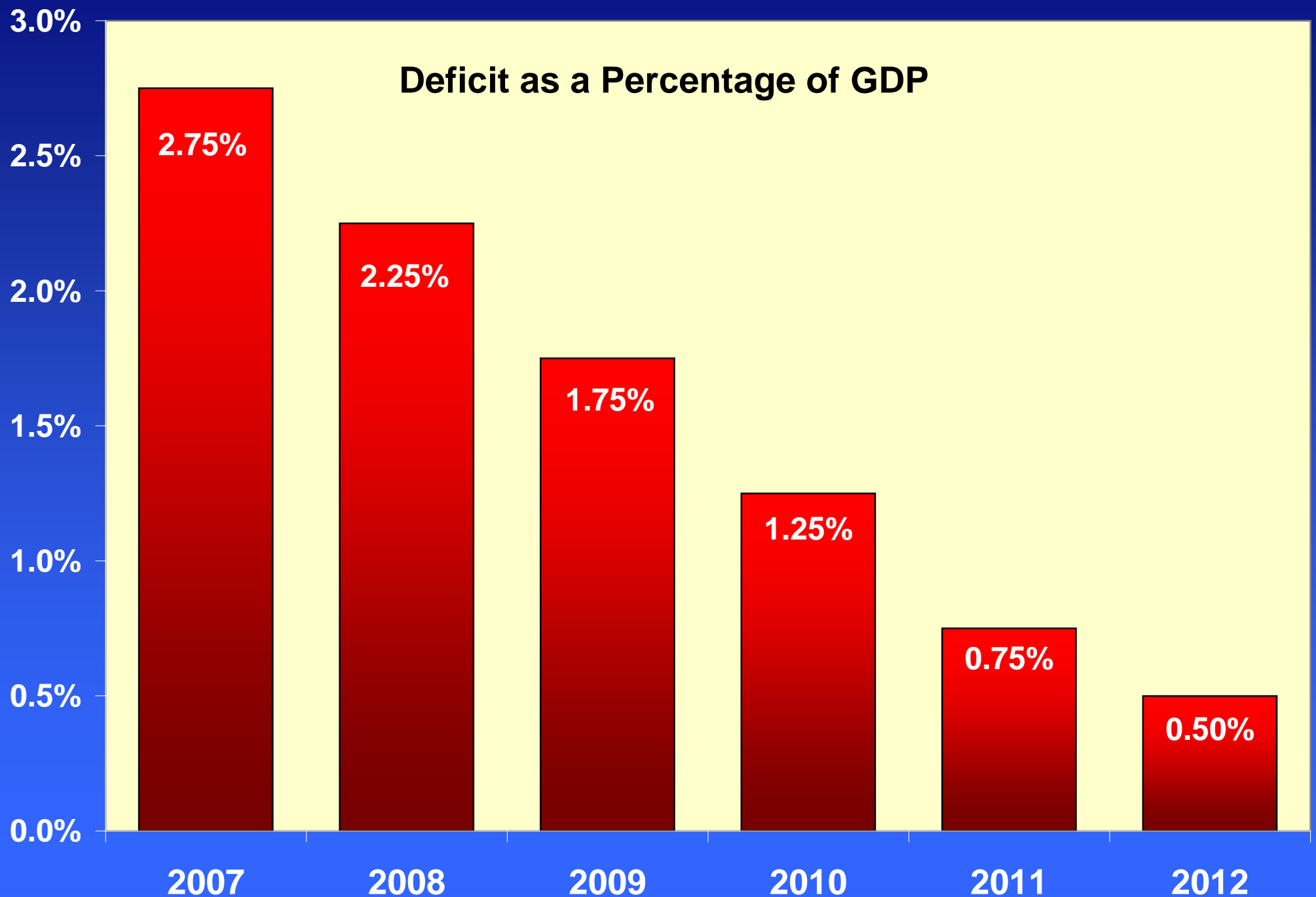
## **Addresses Long-Term Entitlement Insolvency Issue**

- **The SOS Act creates an Entitlement Solvency Commission** and requires the Commission to make legislative recommendations to save the entitlement programs from financial ruin and requires Congress to act upon those recommendations under expedited fast track procedures.

## **Streamlines Budget Process**

- **The SOS Act includes biennial budgeting,** converts annual budget, appropriations, and authorizing budget process into a two year cycle. The first year would be reserved for the Budget and Appropriations process. During the second year, Congress would conduct oversight and authorize legislation.
- **The SOS Act makes it easier for Congress to pass reconciliation bills** –legislation that statutorily saves money.

# S.O.S DEFICIT REDUCTION



Source: Senate Budget Committee Republican Staff



# The Washington Times

[www.washingtontimes.com](http://www.washingtontimes.com)

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## Stop federal overspending

By Judd Gregg

Published June 21, 2006

If Capt. Renault stepped into today's Senate instead of Rick's Cafe in 1941 Casablanca, he would feel quite at home. He would observe "I'mshocked, SHOCKED, to find that deficit spending is going on in here!"

Simply put, the federal budget process is ailing. In fact, it is on life support. The Budget Enforcement Act of 1990, which provided real teeth in the budget process, expired in 2002. Furthermore, because of a lack of will to control spending, Congress has failed to adopt a budget resolution for three of the past five years.

Each year, Congress embraces score-keeping gimmicks to get around any limitations. Site-specific earmarks and non-peer-reviewed projects are increasing -- last year's highway bill being a poster child for unrestricted projects.

The part of the budget called "mandatory" spending continues to grow much faster than inflation. Twenty years ago, entitlements comprised 45 percent of the budget; today, they will soon exceed 60 percent. Medicare alone is growing by almost 10 percent per year. Based on forecasted economic growth, demographics and program benefits, just three entitlement programs -- Medicare, Medicaid and Social Security -- if left unchanged will consume 20 percent of the economy in 30 years. That may not sound alarming until one realizes that the entire U.S. government -- including functions ranging from health care to defense to border security -- consumes 20 percent of the gross domestic product.

Some might speculate that this is just business as usual. It is not. Never in U.S. history have we had to face so many claimants for funds and unfunded IOU's. As the Baby Boom generation retires, older Americans will be handing younger Americans their bills. We are recklessly undermining the future of our children and our grandchildren.

Clearly, spending is out of control and Congress needs to regain fiscal discipline over this runaway train.

Last week, I, along with 24 other cosponsors, introduced the Stop Over-Spending Act. This commonsense and fiscally responsible bill proposes tough measures to force Congress and the Bush administration to adhere to a disciplined budget process. It ends the free pass to spend and re-establishes a real, transparent and straightforward budget.

First, the SOS bill reinstates discretionary spending caps in law. If Congress exceeds these limits, then the overage must be offset by an across-the-board reduction.

Second, the SOS bill eliminates "shadow budgets," otherwise known as emergency spending. It limits the misuse of emergency spending by building in reasonable assumptions of emergency spending into the discretionary caps.

Third, the SOS bill requires the deficit to be measured and considered as its share of economy, the GDP, and requires the deficit to decline from 2.75 percent of GDP next year to .05 percent of GDP by 2012.

What happens if these deficit targets are not achieved? Then congressional committees are required to "reconcile" and write laws to achieve savings. If these committees do not make the tough decisions, then an across-the-board sequester of entitlement programs kicks in.

Sound familiar? It should. SOS is modeled on the Gramm-Rudman-Hollings approach, but it is strengthened and updated to deal with the budget realities of this millennium. It requires entitlement programs that are causing the deficit to be accountable.

Fourth, SOS includes a line-item veto/expedited rescission process to allow the president to identify wasteful spending and to get an up-or-down vote without amendment. Forty-three state governors have line-item veto authority. A Republican Congress gave Bill Clinton this authority in 1996. Unfortunately, the courts negated that action. SOS redrafts this reform in a way to withstand challenges.

Fifth, the SOS bill creates a commission to identify and eliminate agency duplication and programs that have outlived their usefulness, as well as a commission to ensure the solvency of entitlement programs.

No budget process changes can force the president and members of Congress to have the willpower to make tough decisions. But a transparent, tough and honest budget process can help. The Stop Over-Spending Act can take us a long way toward achieving real budgets and effective budget discipline.

It is time to get serious about spending restraint and resurrect the budget process to protect future generations and ensure that we hand our children, and our children's children, a government they can afford.

*Sen. Judd Gregg, New Hampshire Republican is chairman of the Senate Budget Committee.*